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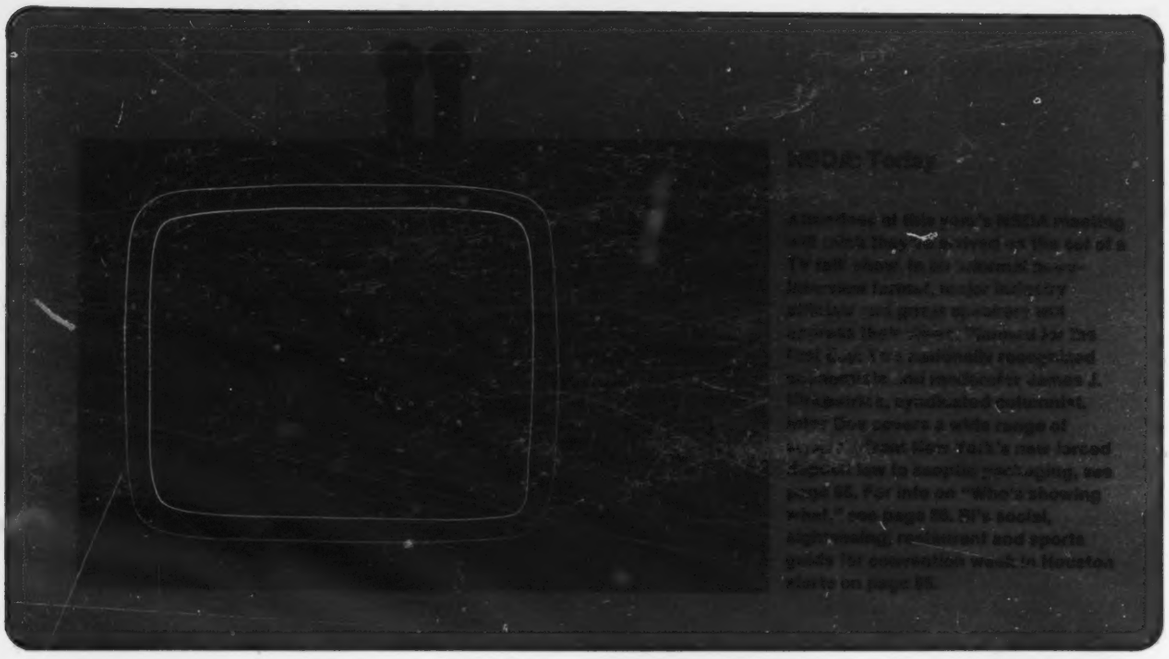
SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

NOVEMBER 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION



Nickel-Solution boosts NR sales 22.2% for beer

WASHINGTON, DC—A five-city, multi-phase program promoting beer in non-returnable bottles resulted in sales increases of 22.8% summer. The summertime effort was funded by voluntary nickel-an-hour contributions from employees of member companies of Glass Packaging Institute, located here.

Run in Jacksonville, Austin, Dallas/Ft. Worth and San Diego, the promotion involved 25 beer distributors. Case sales increases ranged from 60.5% to 16.7%. Share of market increases for NR glass ranged from 1.0 in Dallas/Ft. Worth to 5.5 in San Diego. Major Components

(Continued on page 34)

Investment group acquires Wometco for $842 million

MIAMI — Publicly-held Wometco Enterprises, located here, has entered into an agreement whereby a group of investors led by Kohlberg, Kravis, Roberts & Co. will acquire the firm and assume all debts. Total value of the acquisition reportedly is $842 million.

Although Wometco has other interests in addition to its Coca-Cola holdings, the purchase price is the highest ever reported for a soft drink firm. The firm is also one of the last remaining publicly held soft drink firms. Kohlberg, Kravis, Roberts, etc., is a private, closely-held firm which specializes in leveraged buyouts.

The acquisition comes after virtually a year of industry speculation which started when 82-year-old Mitchell Wolfson died last January. Wolfson founded the beverage/entertainment conglomerate and until his death was active in running the firm.

Wometco officials told **Beverage Industry** that the acquisition will be effected by a merger between the firm and a new privately-held firm to be owned by Kohlberg Kravis and "other investors". The source also said that "certain members of the Wometco management group will have the opportunity to become investors in the new firm."

In an official company announcement, Elton M. Cary, Wometco chairman, added, "Since Kohlberg Kravis is an investor group and not an operating firm, it has been their past practice to retain existing management and employees in order to assure the continuing growth and prosperity of the company."

The purchasers have agreed to pay $46.50 per share for each of the 18.1 million common shares outstanding. The group also agreed to assume $180 million in debts. The deal has been unanimously approved by the Wometco board, but must be approved by a majority of the stockholders and the Federal Communications Commission.

Wometco is reportedly the fourth largest U.S. Coke franchise. □

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BI Report

• Ed O'Reilly, president of Coca-Cola Bottling Co., New York, has been selected as this year's Beverage Industry Man of the Year. Chosen by a select group of industry suppliers, O'Reilly was cited for his contributions to the industry and his social accomplishments in his New England markets. He will be honored at this year's NSDA/InterBev meeting and will be featured in Beverage Industry's December issue.

• Pepsi-Cola reportedly plans major moves shortly. Look for redesigned graphics and new ad campaigns for most of the firm's products. Also in the wings: A new product (sources say it

(Continued on page 158)

Dr Pepper: New direction, ads, graphics

by William R. Dolan

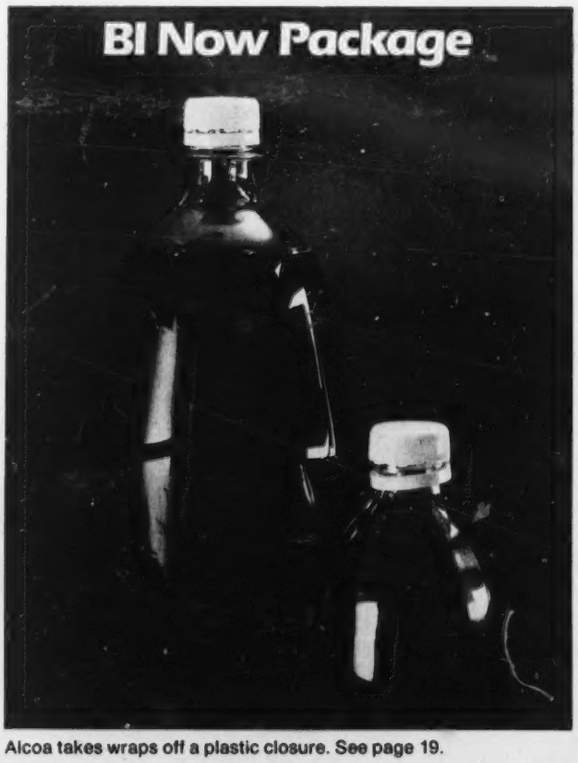
LOS ANGELES — Buffeted for the past 18 months in the marketplace, Dr Pepper Co. has decided to move away from a "mainstream" soft drink approach and adopt a unified strategy for all company brands. The new program places major emphasis on what the company historically has promoted as the unique and original Dr Pepper taste. This new positioning is accompanied by new packaging, new advertising and new programs for fountain, cold drink and vending, all strong points of the Dallas-based soft drink maker.

More than 1,500 bottlers, spouses and suppliers were on hand here as the company

(Continued on page 56)

Houston Battleground

What's Houston like if you live there? More importantly, what's it like if you had to compete in the beverage market there. **Beverage Industry** launches its "Battleground" series with an upclose analysis of how the major soft drink and beer brands slug it out Houston-style, see Houston Battleground, page 10.



Alcoa takes wraps off a plastic closure. See page 19.

Features

1 **NSDA: Today**
NSDA has borrowed a television talk show format to present its program at this year's convention, Dec. 5-7, the Astrohall, Houston. **BI's** advance look at what's going on in Houston starts on page 85.

4 **Root beer sales surge**
During the year of cola segmentation, virtually all support brands have been hurt. Root beers, however, have proven to be more resilient.

8 **Seagram's mixer rollout**
Having made it in the world's toughest market — the big Apple — Seagram's is now laying the groundwork for a national rollout. Seagram's Jerome Will details the market-by-market master plan.

10 **Battleground: Houston**
BI kicks off its new series of indepth market reports with a look at this year's convention site, Houston, TX. Anything goes in this market where Coke is the number one soft drink and Miller Lite is the number one beer.

17 **Year in review**
BI's Washington Correspondent Patricia Raber takes a look at 1983 regulatory and legislative activities and evaluates the gains and losses of the beverage industry.

20 **Bottler reduces shrink cost**
Allegheny Pepsi-Cola Bottling Co. anticipates an annual savings of $2.25 million per year on its multi-million dollar shrink wrapping investment.

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Soundoff

Fighting by the other fellow's rules

"If a state proposes to increase the excise tax as a way to decrease consumption, many of us respond by listing the gross taxes we already pay to that state . . . But saying that is no argument against tax increases. And it doesn't even address the fundamental point in the proposal, that consumption should be decreased.

"By responding that way, we fight the battle on the turf and by the rules our opponents dictate. Sometimes it seems as though we're taking lessons in tactics from General Custer.

". . . Well, I have a suggestion for those in this industry who believe beer is an evil, for those who believe 'sin tax' is the right term . . . get out of it and get into a business you will feel more comfortable with. Because the action is going to get rough."

—William K. Howell, president, Miller Brewing, at the recent NBWA meeting in New Orleans.

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23 **Downey production center**
By revamping its Downey production center, LA Coke was able to consolidate all of its can production into one facility. Plant layouts, equipment details and management insights go behind the scenes.

35 **Canadian dairy in aseptics**
Farmers Dairy, Halifax, Nova Scotia, keeps its Combibloc packaging system running with a variety of beverages.

48 **New England Pepsi Co-op**
In 1981 seven New England Pepsi independents formed a co-op. Earlier this year they opened a new high speed production facility. Their success proves you can achieve low-cost production without losing your independent status.

69 **70% plan to expand**
The recession seems to be easing in the beverage business and producers are starting to make major capital expenditures in 1984.

112 **Beer distributor takes on SDs**
Burkett Distributing Co., Dodge City, KS, took on distribution of soft drinks produced by Wichita Seven-Up/Royal Crown Bottling Co. and found its per case transportation costs were considerably reduced.

144 **Population shifts affect market**
Beverage Marketing Corp. analyzes changes in consumer demographics and projects the effects of the greying of the heavy-user generation.

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Our trailers start with the basics:
Rugged, Ready and Reliable.
Massive structural aluminum channel Main-frame.
Heavy aluminum plates secure and integrate roof rail with door posts for maximum strength.
Door post and lower rail feature extra reinforcement at all impact areas.

C&C takes aim at majors with marketing push

NEW YORK, NY—Backed by a fresh advertising campaign and flashy new packaging, Shasta Beverages is hoping to pump up sales of its slumping C&C Cola by battling the majors. The Consolidated Foods subsidiary, which introduced the campaign at a press conference here in August, bought C&C last year.

Shasta is hopeful the campaign will eventually mean expansion for the regional brand, which is now only available in Florida, California and the New York area. "We didn't purchase C&C to keep it a regional brand," said Al Carosi, vp-marketing.

Shasta's advertising campaign, using the theme "C&C for yourself," is a blend of television ads, outdoor billboards and point-of-purchase materials. It highlights quality and taste instead of price, previously C&C's major selling point. On the average, a 2-L bottle retails for 99 cents.

The new packaging design is reflected on both 12 oz. cans and 2-L bottles. Regular C&C features a metallic silver can with the same red C&C logo. The diet has a white logo outlined in red and set on a light blue background with silver lines running through it. The aim was to give C&C a more contemporary image while retaining loyal customers.

The campaign was introduced to the California market in July and tested out successfully, Shasta reported.

"We didn't necessarily try to reinvent the wheel," said Carosi. "The brand has many good qualities that we want to maintain.

Nevertheless, there were some other changes. Shasta changed sweeteners from sucrose to fructose in regular C&C to realign it with the regular mainline Shasta brands, which all use fructose.

● For more information on **C&C Cola**, circle no. 394 on the reader service card. □

Circle No. 204
on Reader Service Card

Beverage Business Indicators*

Selected Consumer Price Index (base: 1967 = 100)

	May 1983	June 1983	% Change	June 1982	June '82 vs. June '83 % Change
Cola	311.5	312.3	.3	305.9	2.1
Other carbonated soft drinks	147.3	146.3	(.7)	143.1	2.2
Noncarbonated drinks	140.1	140.5	.3	140.0	.4
Wine	239.1	236.3	(1.2)	235.3	.4
Beer and ale	222.7	224.1	.6	210.6	6.4

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Source: U.S. Department of Labor Bureau of Labor Statistics

Bottle Shipments (thousands of gross) (not seasonally adjusted)

	February 1983	March 1983	% Change	March 1982	March '82 vs. March '83 % Change
Glass Bottle Production Total Bottles:	21,043	26,415	25.5	27,406	(3.6)
Beverage: Refillable	287	318	10.8	386	(17.6)
Nonrefillable	3,069	4,846	57.9	4,964	(2.4)
Beer: Refillable	332	290	(12.7)	384	(24.5)
Nonrefillable	7,083	8,645	22.1	9,119	(5.2)
Liquor	962	1,284	33.5	1,157	11
Wine	625	761	21.8	736	3.4
Plastic Bottle Production* Carbonated beverages	136,846	176,131	28.7	172,758	2

*thousands of units
Source: U.S. Department of Commerce Bureau of the Census

Imported Beverages (proof gals)

	April 1983	May 1983	% Change	May 1982	May '82 vs. May '83 % Change
Beer*	15,204,560	17,043,442	12.1	16,292,050	4.6
Whiskey	4,429,908	4,830,627	9.0	6,882,811	(29.8)
Brandy	542,707	468,237	13.7	486,033	(3.7)
Gin	427,258	495,537	16	465,559	6.4
Rum	111,127	91,123	(18)	39,195	132
Cordials & liqueurs	517,223	562,079	8.7	610,560	(7.9)
Others	524,424	652,130	24.4	621,096	5
Total	51,757,207	24,143,175	(53.4)	25,397,304	(4.9)
Sparkling wines	770,184	720,656	6.4	674,600	6.8
Still wines, table	7,910,930	8,652,127	9.4	8,860,949	(2.4)
Still wines, fortified	198,873	180,056	9.5	180,388	(.2)
Vermouth	246,425	275,093	11.6	174,003	58.4

*Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

Closures for Beverages (thousands of gross)

	February 1983	March 1983	% Change	March 1982	March '82 vs. March '83 % Change
Metal (for spirits, wines)*	84,301	53,820	(36.2)	44,682	20.1
Plastic (for spirits, wines)*	123,936	118,862	(4.1)	139,456	(14.8)
Metal Crowns (beer & soft drinks)	14,586	17,484	20	21,953	(20.4)
Soft drinks (convenience and conventional types)	5,588	6,737	21	2,250	199
Beer (convenience and conventional types)	8,998	10,747	19.4	6,523	64.8
All other metal closures other than crowns	6,627	8,979	35.5	10,292	(12.8)

*thousands of units
Source: U.S. Department of Commerce Bureau of the Census

Selected Producer Price Index (base: 1967 = 100)

	May 1983	June 1983	% Change	June 1982	June '82 vs. June '83 % Change
Soft drinks	327.3	324.5	(.9)	318.0	2
Alcoholic beverages	205.2	205.9	.3	198.6	3.7
Beverages and beverage materials	263.3	262.8	(.2)	256.7	2.4
Packaged beverage materials	324.5	324.2	(.09)	323.1	.34

The Producer price Index (PPI) is a measure of the average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing. These data were formerly called the Wholesale Price Index. The name was changed to more accurately reflect the coverage of the data. PPI's are designed to be interpreted in the same manner as the CPI.

Source: U.S. Department of Labor Bureau of Labor Statistics

Sweeteners (cents per pound)

	June 1983	July 1983	% Change	July 1982	July '82 vs. July '83 % Change
42% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	12.09	12.09	—0—	NA	–
55% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	14.25	14.25	—0—	13.82	3.1
Sugar, liquid ind. No. 2 per cwt. solids, F.O.B. (N.E. refinery)	32.20	32.20	—0—	32.70	(2)

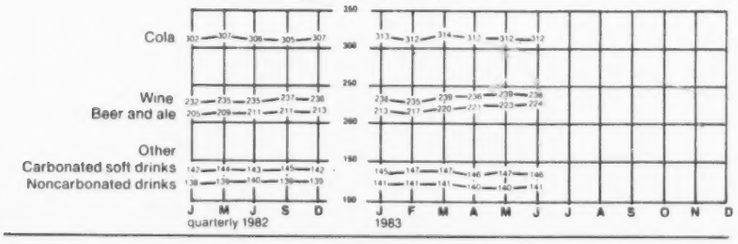
NA: Not Available
Source: The Journal of Commerce

Alcoholic Beverage Removals (barrels of 31 gals)

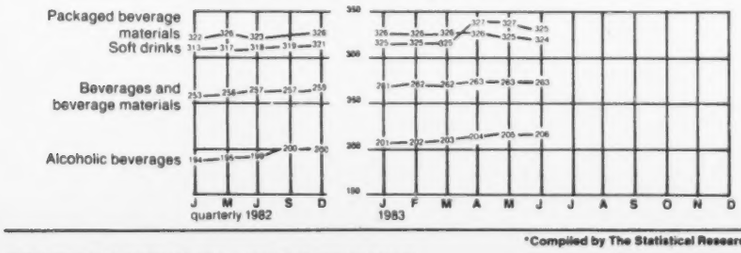
	March 1983	April 1983	% Change	April 1982	April '82 vs. April '83 % Change
Beer	15,354,597	15,714,721	2.3	16,067,709	(2.2)
Wine*	35,337,365	33,697,354	(5)	31,647,546	6.7
Spirits*	30,742,546	27,378,551	(10.9)	29,495,615	(7.2)

*wine gals
Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

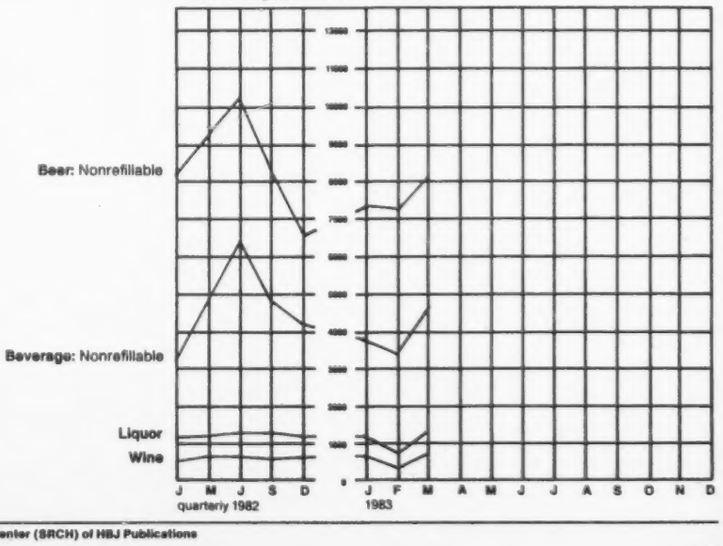
1983 Consumer Price Index (1967 = 100)



1983 Producer Price Index (1967 = 100)



Bottle Shipments (thousands of gross)



*Compiled by The Statistical Research Center (SRCH) of HBJ Publications

70% of beverage firms plan capital expansion

SPECIAL REPORT—From all indications, the recession has ended for the beverage industry. Increasing sales and the rosier outlook for the U.S. economy evidently has encouraged producers to get out their budgets and start upgrading their physical plants.

According to a recently completed Beverage Industry study, 70% of the nation's beverage plants are planning to make capital investments. Over 10% will make major investments of over $1 million. Of the 70% which indicated they have planned to make capital expenditures, 63% said that the amounts budgeted were higher than in 1983. At the time of the study, 16% had planned to increase their capital investments, but the dollar amount had not been budgeted.

10% will double expenditures; 13% will spend a million or more on new equipment.

This year's study, for the first time, was expanded to include all segments of the beverage industry: Soft drinks, noncarbonated beverages (including juice drinks), wine, malt beverages, bottled water and juices. In excess of 200 forms were processed represented approximately 17% of the randomly selected base. The study was done in conjunction with the Infometrics National Research Center of Harcourt Brace Jovanovich Publications and tabulated by the Beverage Industry Statistical Research Center.

Soft drinks

Exhibitors at this year's NSDA exposition may have one of the best years yet. If the 57% who indicated they have planned to increase expenditures show up, business should be brisk.

Almost 60% of those planning to purchase equipment indicated they will spend more than in 1983.

Ten percent will double their expenditures and 13% will spend $1 million or more just on new equipment. 63% of the respondents indicated they had planned to invest in improving existing lines; 8% have budgeted in excess of $1 million for this purpose.

Twelve percent indicated

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(191)	(88)	(33)	(10)	(21)	(18)	(24)
None	30%	31%	34%	44%	25%	32%	30%
Under $10,000	4	4	5	7	*	7	3
10,000-24,999	8	6	10	7	8	10	11
25,000-49,999	4	4	5	*	3	7	*
50,000-99,999	4	5	*	7	3	*	*
100,000-199,999	12	12	15	10	7	13	6
200,000-299,999	5	4	3	17	6	*	3
300,000-399,999	1	1	*	3	*	*	*
400,000-499,999	3	2	3	3	3	*	3
500,000-999,999	7	5	8	3	3	10	14
$1 Million and over	10	10	3	*	24	6	8
Amount Not Specified	16	17	18	*	19	14	22

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(134)	(50)	(21)	(9)	(17)	(16)	(21)
Will Spend More	63%	57%	50%	67%	71%	66%	67%
Up to 10% More	22	14	29	44	12	22	34
11-20% More	12	11	21	11	24	*	8
21-30% More	5	9	*	*	6	*	8
31-50% More	8	11	*	*	6	22	8
51-70% More	3	*	*	11	6	*	*
71-100% More	13	11	*	*	17	22	8
Will Spend Same	14	11	21	11	17	11	16
Will Spend Less	23	32	29	22	12	23	17
Up to 10% Less	1	*	*	*	*	*	*
11-20% Less	2	3	*	*	6	*	*
21-30% Less	2	3	*	11	*	*	*
31-50% Less	7	9	14	*	6	12	6
51-70% Less	*	*	*	*	*	*	*
71-100% Less	11	17	14	11	*	11	11

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
Base Production:	(161)	(80)	(28)	(8)	(19)	(14)	(12)
1-10% Increase	72%	75%	75%	63%	71%	71%	50%
11-20% Increase	23	20	25	25	29	29	33
No Increase	5	5	*	12	*	*	17
Ingredients							
1-10% Increase	74%	70%	75%	71%	33%	100%	33%
11-20% Increase	13	20	25	15	0	0	0
More than 20%	0	10	0	0	0	0	0
No Increase	12	0	0	14	67	0	0
Distribution							
1-10% Increase	71%	84%	63%	75%	75%	67%	80%
11-20% Increase	17	16	25	13	25	17	20
No Increase	12	0	12	12	0	16	0
Packaging							
1-10% Increase	82%	73%	88%	72%	72%	100%	67%
11-20% Increase	7	9	12	0	14	0	17
More than 20%	6	10	0	14	14	0	0
No Increase	5	8	*	14	*	*	16

New Equipment:	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(195)	(88)	(33)	(10)	(21)	(19)	(24)
None	27%	21%	31%	30%	29%	33%	33%
Under $10,000	1	3	*	5	*	*	*
10,000-24,999	9	8	8	20	5	*	17
25,000-49,999	6	10	8	*	5	22	*
50,000-99,999	1	*	*	5	*	*	*
100,000-199,999	6	5	8	*	5	22	*
200,000-299,999	8	8	8	30	5	*	8
300,000-399,999	*	*	*	*	*	*	*
400,000-499,999	1	3	*	*	*	*	*
500,000-999,999	8	8	8	10	5	*	8
$1 Million and over	13	13	8	*	29	11	8
Amount Not Specified	19	21	23	*	19	11	25

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(183)	(78)	(33)	(10)	(21)	(17)	(24)
1 Line	16%	12%	9%	10%	20%	43%	17%
2 Lines	12	6	8	10	20	14	17
3 Lines	3	3	0	*	13	0	0
More than 3 Lines	4	3	8	0	0	0	8
None	65	76	75	80	47	43	58
Size and type of packages new lines will produce							
BASE:	(161)	(77)	(26)	(9)	(17)	(11)	(21)
12 Oz. Cans	41%	48%	17%	0%	92%	*	13%
16 Oz. or ½ Liter	36	64	17	25	31	17	13
1 Liter	30	44	33	25	23	33	13
2 Liter	21	44	0	0	8	17	13
Other	48	36	67	75	39	50	100

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(174)	(93)	(24)	(11)	(21)	(9)	(16)
Bottle Washer	12%	18%	7%	*	10%	*	15%
NR Bottle Washer	19	21	14	9	29	22	8
Bottle and/or Can Filler	37	67	21	36	52	33	31
Proportioning/Cooling/ Carbonation Equipment	13	32	7	*	5	11	*
Cappers	21	29	14	45	10	*	10
Decappers	2	3	*	*	5	*	*
Refrigeration Equip.	27	37	14	18	33	11	13
Can/Bottle Warmer	7	18	*	*	5	*	*
Post/Pre-Mix Tank Washer	5	13	*	*	5	*	*
Post/Pre-Mix Filling Equipment	7	46	*	*	*	11	8
Boilers	14	24	21	*	10	11	*
Syrup Mixing System	13	21	14	*	*	22	8
Liquid Sugar Production System	8	16	7	*	10	*	*
Pasteurizers	12	11	14	9	19	11	*
Water Treatment	20	26	21	9	10	22	15
Multiple Package for Glass	10	13	*	*	24	*	8
Multiple Package for Cans	13	16	7	*	29	11	*
Uncaser	7	13	*	*	14	*	*
Case Packer	22	24	14	18	24	22	15
Depalletizer	12	16	*	*	24	*	15
Palletizer	18	29	7	9	24	*	15
Shrink Wrapper	22	32	43	*	5	11	15
Labeling Machine	21	11	14	18	24	22	46
Accumulating Table	14	21	7	9	24	11	*
Conveyors	39	52	36	18	48	22	23
Hand Trucks	10	13	14	*	10	11	8
Forklift Trucks	38	32	36	36	38	22	39
Sound Abatement Equipment	6	11	*	9	10	*	*
Computing Equipment	20	27	16	9	14	6	*
Quality Control for Lab	32	42	29	36	29	11	23
Electronic Inspection	19	24	7	18	43	*	*
Visual Inspection	2	3	*	*	*	*	8
Coding Equipment	35	47	29	27	33	22	31
Sanitation Equipment	31	39	29	27	14	22	23

they would install one new line in 1984; 6% have two-lines on the drawing boards; 3% are planning to install three new lines and 3% will install more than three lines. 64% of the new lines will be for 16 oz. or .5-L bottles, 48% for cans, 44% for 1-L and 2-L.

Fillers are high on the shopping list. 67% of the respondents indicated they had planned to purchase these items. Conveyors will be purchased by 52% of the respondents. Next highest are planned purchases of post- and pre-mix filling equipment indicating bottlers are beginning to take a more serious look at the fountain segment.

Brewery plans

In spite of continued sluggish sales, expansion can be expected to continue in the brewery industry. 75% of the respondents indicated they planned to make capital investments in 1984; 71% will spend more than they did in 1983.

To replace existing equipment, 19% have budgeted $1 million or more

New equipment purchases are also planned by these producers. 29% indicated they had planned to make investments of $1 million or more for equipment; 24% will spend in excess of $1 million for improving existing equipment and lines.

To replace existing equipment, 19% have budgeted $1 million or more.

Twenty percent said they had plans to install one new line in '84; 20% have plans for two line expansions and 13% for three line additions; 92% of the new lines will be for cans.

Can and bottle fillers are also high on the shopping list for these firms. 52% have planned to purchase these units. Conveyors (48%) and electronic inspection equipment (43%) are also in demand.

Cost trends

Believe it or not, but some beverage producers say they incurred no cost increases in 1983. A lucky 5% had no increase in production costs; 12% had no increases in ingredient costs; 12% in distribution and 5% in packaging.

The other firms—by far in the majority—held their cost increases to between 1% and 10%. Among all categories, packaging costs appear to be the most manageable. 82% indicated that cost increases in this section were less than 10%. □

Soft drink manufacturers beware:

Population shifts to negatively affect soft drink consumption by 1990: study

by Holly Klokis

SPECIAL REPORT—Over the course of the next seven years, the largest soft drink consuming segment of the population is going to shrink, negatively affecting cola consumption more than any other flavor. In response, soft drink manufacturers can be expected to continue segmenting brands by demographic characteristics, with the intention of capturing the older, health/diet conscious consumer.

This view of the future, backed up by never-before-published data on the demographics of the U.S. soft drink consumer, can be found in a new report available from the Beverage Marketing Corp.

"The most likely response of the industry will be to continue development for specific products for appeal to older population groups . . ."

The 1983 U.S. Soft Drink Market and Packaging Report contains demographic and trend information critical to the future of the industry, most significant of which are profiles of today's cola, non-cola, diet/sugar free and caffeine free flavor user. Based on this information obtained by BMC from Simmons Market Research Bureau, along with projections of population growth from the U.S. Census Bureau, the report outlines probable trends in the industry that will occur between now and 1990.

Among its findings, BMC concludes:

- "The percentage of the population in the 0 to 17 and the 18 to 34 age groups, the two groups which traditionally consume soft drinks at the greatest rate, will shrink from a total of 57.8% [of the population] in 1980 to about 45.4% in 1990;
- "The most likely response of the industry will be to continue development of specific products for appeal to older population groups, such as low calorie soft drinks, caffeine free and sodium free soft drinks, and "naturally flavored waters," i.e. bottled water with essence of lime, orange, grape, etc.,
- "And, the targeting of existing and new flavors to as yet untapped consumer segments, i.e. the positioning of diet Coke and Pepsi Light to diet conscious males."

Slowing consumption

While BMC admits the industry's response to this country's diet and health craze will minimize the effects of negative population shifts, it will not be able to overcome them. The rate of per capita consumption is predicted to slow, rising to 46.9 gallons in 1990 from 39.2 gallons in 1982. Total U.S. soft drink gallonage is expected to reach 11.7 billion in 1990, reflecting a five-year average annual growth of 2.9%, "a substantial departure from the 7.8% growth of the 1960s and the 6.3% growth of the 1970s."

In order to withstand the anticipated flattening of sales, the report advises soft drink marketers to minimize operating costs; resolve the sugar and artificial sweetener issues; increase soft drink availability through a variety of distribution channels; offer innovative and cost effective packaging, i.e., the triple neck can, bulk shipping, etc.; and, finally, understand its brands' heavy users and segment to those markets.

The 1983 U.S. Soft Drink Market and Packaging Report is BMC's second annual

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market report on this industry. In updating last year's survey, BMC contacted over 1,550 industry executives and managers to gather comprehensive data on gallonage, packaging, consumption, distribution and flavors. The report contains regional breakdowns for all the aforementioned, as well as data on advertising expenditures by brand and company; distribution by outlet; sales by brand and company; gallonage by flavor, including regular vs. diet, and the 100 top soft drink markets.

The study also provides figures for regional and national bulk vs. packaged gallonage, which indicate a shift taking place within the industry. In 1970, bulk gallonage represented 18.3% of total; by 1982, bulk had a 23.3% share vs. 76.7% for packaged. BMC expects that by 1990 the figures will be 26.3% vs. 73.7% for bulk and packaged, respectively. The growth of bulk, which has been at the expense of packaged, is projected to have an average annual increase of 4.9% between 1985 and 1990 —more than twice the 2.2% predicted for packaged soft drinks.

1981 national and regional container mix by package type

(Millions of gallons)

	Cans		Refillables		Plastic		Non-Refillables		Total Packaged	
	Gallonage	Share	Gallonage	Share	Gallonage	Share	Gallonage	Share	Gallonage	Share
Northeast	424.5	32.4%	190.5	14.5%	377.3	28.8 %	319.8	24.4%	1,312.1	100.0%
South	438.2	25.7	567.8	33.3	381.2	22.4	318.0	18.6	1,705.2	100.0
East Central	510.7	34.8	626.6	42.7	192.2	13.1	137.9	9.4	1,467.44	100.0
West Central	249.1	42.7	194.9	33.4	79.3	13.6	60.1	10.3	583.4	100.0
Southwest	323.6	39.9	154.1	19.0	182.5	22.5	150.9	18.6	811.1	100.0
West	160.6	68.0	38.0	16.1	24.3	10.3	13.2	5.6	236.2	100.0
Pacific	323.9	48.0	176.4	26.1	115.1	17.1	59.7	8.8	675.0	100.0
National	2,431.0	35.8	1,912.0	28.2	1,368.4	20.1	1,079.7	15.9	6,790.5	100.0

Note: Regional totals may vary due to rounding.

Source: Beverage Marketing Corp.; NSDA Annual Sales Survey

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Beverage Industry
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Changing lifestyles

The increase in bulk sales is largely attributed to changing lifestyles: Working women and two wage earner families will continue the trend to eat out more often and those places that they are eating—fast food and mid-priced restaurants—feature syrup dispensing systems. In addition, BMC cites an increase in the number of locations for post-mix and cold cup vending, as well as more aggressive marketing of bulk syrup on the part of parent companies.

Regionally, due to its warm weather and heavy on-premise consumption, the Pacific area has the nation's highest bulk soft drink consumption, 28.9% of total gallonage. Conversely, with its high at-home consumption, the Northeast leads the nation in packaged soft drink consumption, 80.7% of total.

Although they lie on opposite coasts, the Pacific and Northeast regions do have one thing in common: They lead the nation in consumption of diet soft drinks. In the Northeast, diets maintained an annual growth rate of 10.5% between 1976 and 1981, capturing a 19.0% share in 1981. In the Pacific region, the growth rate for the same period was 10.2% and the share in 1981 was 21.2%.

Michael Bellas, president of BMC, attributes this to the sophistication of the two regions. "Both have people with higher incomes, higher education. They are the trend setters."

BMC has also updated its

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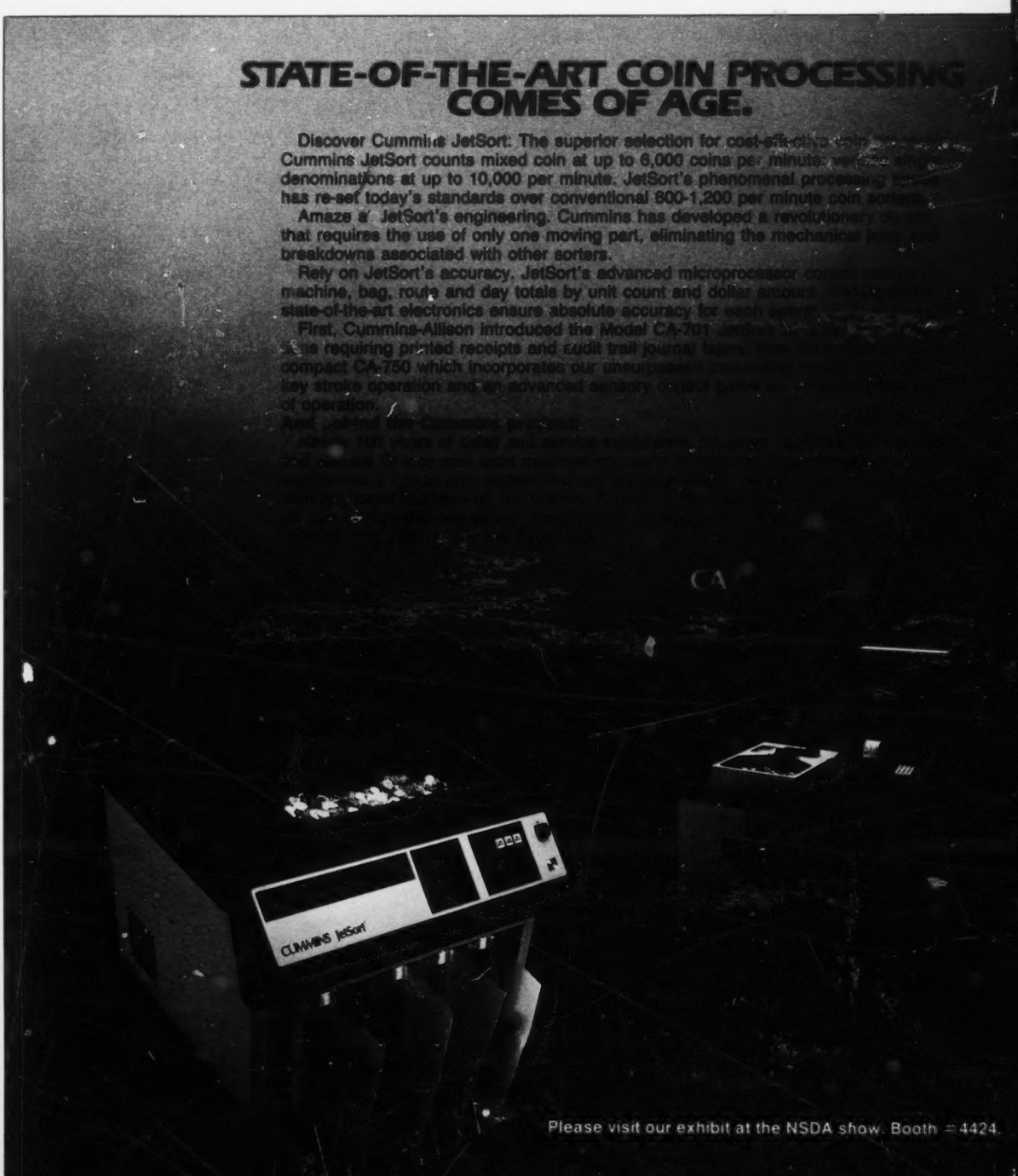

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U.S. soft drink packaged gallonage by type 1970-1982

	Regular			Diet			Total Packaged		
	Gallonage*	Share	Percent Change	Gallonage*	Share	Percent Change	Gallonage*	Share	Percent Change
1970	3,469.0	93.0%	—%	261.1	7.0%	—%	3,730.1	100.0%	—%
1971	3,724.7	93.0	7.3	280.4	7.0	7.3	4,005.1	100.0	4.4
1972	3,825.0	91.0	2.7	378.3	9.0	35.0	4,203.3	100.0	4.9
1973	4,048.3	91.0	5.6	400.4	9.0	5.8	4,448.7	100.0	5.8
1974	4,025.7	91.0	(0.6)	398.1	9.0	(0.5)	4,423.8	100.0	(0.6)
1975	4,104.9	90.0	2.0	456.1	10.0	4.6	4,561.0	100.0	3.1
1976	4,591.0	89.0	11.9	567.4	11.0	24.3	5,158.5	100.0	13.1
1977	4,961.8	88.0	8.0	676.6	12.0	19.2	5,638.4	100.0	9.3
1978	5,318.0	88.3	7.2	704.7	11.7	4.1	6,024.0	100.0	6.8
1979	5,455.3	86.6	2.6	844.1	13.4	19.9	6,305.2	100.0	4.7
1980	5,650.9	86.2	3.6	904.7	13.8	7.1	6,555.6	100.0	4.0
1981	5,771.9	85.0	2.1	1,018.6	15.0	12.6	6,790.5	100.0	3.6
1982 (E)	5,877.3	84.1	1.8	1,110.3	15.9	11.0	6,987.6	100.0	2.9

E — Estimated
*Gallons in millions
Source: Beverage Marketing Corp.

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regional container mix data to include information on 1981, revealing no major packaging shifts within the regions. The West and Pacific regions still lead the nation in use of cans, with a 68% and a 48% share, respectively. According to Janet Fanshawe, BMC vp-marketing, "The West and California have traditionally been convenience markets, as in the Northeast. But in the Northeast most consumption is at home. In the West and California the convenience market is geared to outdoor consumption, so people are more concerned about safety and breakage."

Reflecting the high Northeastern at-home consumption is the great number of non-refillables and 2-L's that are used there. This region leads the nation in market share for both, with a 24.4% share for non-refillables (the majority of which are 16 oz. PlastiShield) and a 28.8% share for 2-L's.

Recession felt

The high share of refillables in the East Central region (42.7%) is attributed to the severe effects of the recession felt there, making the economics of the returnable particularly appealing to the budget conscious.

In addition to regional packaging breakdowns, the report also outlines activity by package for the nation. Cans, which continue to dominate the U.S. container mix, have lost 8% of their share since their high of 43.8% in 1978. BMC attributes this to the success of 10 and 16 oz. PlastiShield, and .5-, 1- and 2-L PET.

PET slows down

The PET bottle continues to be the fastest growing package on the market, achieving almost a 22% share in five years. But, says the report, its annual percent change reveals slower 1982 growth rates despite introduction of smaller sizes.

Non-refillable glass containers are the second fastest growing package, advancing 6.8% in 1982. "The economics of the non-returnable glass package, resealability, size selection, long shelf life, excellent barrier properties and consumer documented taste test success, will help the non-refillable package compete against the can and PET packages," according to the report.

Refillable glass packages have declined to a 1982 26% share, down 5% from 1981. "The high costs of the packages' re-use, weight and poor safety features," notes the report, have contributed to the fourth year of negative percent change in a row.

BMC has also calculated the top 100 SMSA's which account for 5.5 billion gallons,

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or 60.6%, of the total 9.1 billion soft drink market. While the top three markets, New York, Los Angeles, Chicago, maintained their positions 1980-82, the remaining 22 of the top 25 showed a great deal of instability. Bellas attributes this volatility to economics and population shifts.

SMSA ranking

"The SMSA markets in regionally depressed areas are dropping in their ranking, while many SMSA's in the Sunbelt areas are going up. Not only is there a larger population between the ages of 20 and 25 in many of the higher ranking cities, they are also the sites of a lot of relocation. The ranking of these cities will follow population shifts," he says.

Statistics on the total U.S. soft drink market contained in the report show a 3.4% change in the 1982 market size, the lowest year-to-year growth rate since the industry's peak year of 1976.

This slower growth, says Bellas, has made it more profitable to operate and distribute from larger soft drink plants. In 1972 there were about 3,400 plants; by 1982 this number had halved to about 1,550. Bellas expects this trend to continue, ultimately resulting in about 500 to 750 plants serving the entire U.S. market by the end of this century.

For more information on or to purchase the 1983 Soft Drink Market and Packaging Report, contact Stephanie Bower or Janet Fanshawe at Beverage Marketing Corp., 866 Second Ave., New York, NY 10017; telephone, 212/688-7640. □

1982 national and regional bulk vs. packaged gallonage

(Millions of gallons)

	Bulk			Packaged			
	Gallonage	Percent Change	Share of Total	Gallonage	Percent Change	Share of Total	Total Pkg/Bulk
Northeast	328.5	5.8	19.3	1,375.2	4.8	80.7	1,703.7
South	537.7	5.2	23.5	1,745.2	2.3	76.5	2,282.9
East Central	404.1	1.2	21.3	1,490.6	1.7	78.7	1,894.7
West Central	167.0	4.9	22.0	589.7	1.1	77.9	756.7
Southwest	290.9	8.2	25.4	852.8	11.7	74.6	1,143.7
West	81.5	5.8	24.7	248.7	5.3	75.3	330.2
Pacific	278.6	6.8	28.9	685.4	0.9	71.1	964.0
National	2,088.3	5.1	23.0	6,987.6	2.9	77.0	9,075.9

Note: Totals may vary due to rounding.

Source: Beverage Marketing Corp.

Copyright: Beverage Marketing Corp.

Beverage Industry, November 1983

System turns waste into ethyl alcohol

WATERTOWN, WI—A fermentation process system is permitting a canning plant here to conform to stiffer local laws on waste discharge while enabling it to recoup part of the $450,000 price tag through the production and sale of ethyl alcohol.

Wis-Pak, Inc., the nation's largest Pepsi-Cola cooperative canning plant, was ordered by Wisconsin's Department of Natural Resources to reduce the discharge of waste into the city's municipal sewage system after tests revealed that 40% of the sewage the system couldn't handle was from Wis-Pak. Excess sewage wound up in nearby creeks.

"As we grew we started pouring more and more BOD into the sewage system," says Arnold Fobes, vp and general manager of Wis-Pak, "We had to find some way of disposing of BOD and sludge."

Wis-Pak looked at several disposal systems before selecting the Fermentec 6000 by Fermentec Corp.

"This was the only system that we looked at where we could get a return on our investment," Fobes says. "With other systems like reverse osmosis you get a lot of equipment which just rusts away."

Fobes reports the Fermentec 6000 will produce at least 60,000 gallons of ethyl alcohol annually. The ethanol will be blended with gasoline to produce a gasohol-type product.

• For more information on the Fermentec 6000, circle no. 305 on reader service card. □

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